

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-10 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SPC-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01

USIA-15 IO-14 SAJ-01 NIC-01 COA-02 CG-00 DOTE-00

DLOS-06 NEA-11 AF-10 EPA-04 CEQ-02 DRC-01 /217 W

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R 120840Z FEB 74

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 9549

UNCLAS HONG KONG 1577

E.O. 11652: N/A

TAGS: ENRG CH HK

SUBJECT: PETROLEUM: HONG KONG GOVERNMENT/CHINESE FACILITIES AND
MORE OIL FOR HONG KONG

REF: HK A-14; HK 12508; HK 12415

SUMMARY: THE HONG KONG GOVERNMENT HAS ANNOUNCED ITS AGREE-
MENT TO PROVIDE LAND FOR CHINESE OIL FACILITIES TO BE ERECTED
HERE, AND CHINESE AGREEMENT TO ALLOCATE 300,000 TONS OF PETRO-
LEUM PRODUCTS TO THE COLONY DURING 1974. THIS WILL SERVE TO
EASE THE FUEL SITUATION, BUT ECONOMIES WILL STILL BE REQUIRED
TO KEEP TRADE AND INDUSTRY VIABLE, PARTICULARLY IF AT LEAST
PART OF INDUSTRY'S 1974 EXPANSION GOALS ARE TO BE ACHIEVED.
END SUMMARY.

1. HONG KONG GOVERNMENT DEPUTY COLONIAL SECRETARY AND CHAIR-
MAN OF OIL POLICY COMMITTEE, MICHAEL CLINTON, ANNOUNCED
FEBRUARY 4, THAT THE HONG KONG GOVERNMENT HAS MADE AVAILABLE
TWO SITES FOR STORAGE OF OIL SUPPLIES FROM CHINA. THESE
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FACILITIES, HE SAID, WOULD ENABLE THE CHINA RESOURCES COM-

PANY TO IMPORT "SIGNIFICANT QUANTITIES" OF OIL TO HONG KONG ON A "REGULAR LONG-TERM BASIS". ACCORDING TO PRESS REPORTS, CONSTRUCTION ON THE TWO SITES (SEVEN ACRES ON TSING YI ISLAND, FOR STORAGE OF FUEL ARRIVING BY TANKER, AND OVER TWO ACRES AT SHATIN, FOR OIL PRODUCTS ARRIVING BY RAIL) IS EXPECTED TO BEGIN SOON, TO LAST ABOUT TWO YEARS, AND TO COST APPROXIMATELY HK\$50 MILLION (US\$10 MILLION). MEANWHILE, THE HONG KONG GOVERNMENT PROPOSED, MR. CLINTON SAID, TO CONSTRUCT A RAILWAY SIDING AT SHATIN, AND A SPUR RAILWAY LINE AT HUNG HOM, THUS FACILITATING CHINESE ACCESS RESPECTIVELY TO CHINESE AND WESTERN OIL FACILITIES.

2. MR. CLINTON ALSO ANNOUNCED THAT CHINA RESOURCES HAD INDICATED THAT IT HAD SECURED FROM CHINA THE ALLOCATION OF SOME 300,000 TONS OF VARIOUS OIL PRODUCTS FOR HONG KONG DURING 1974. THIS REPRESENTED ABOUT SEVEN PERCENT OF HONG KONG'S TOTAL OIL DEMAND, AND WOULD BE "MOST WELCOME", GIVEN THE EXPECTED TEN PERCENT SHORTFALL IN MIDDLE EAST SUPPLIES. THE ADDITIONAL OIL TO BE OBTAINED FROM CHINA, HOWEVER, WOULD COVER ONLY FOUR PERCENT OF FUEL OIL REQUIREMENTS, AND IT WAS, THEREFORE, STILL "VITAL" FOR THE COMMUNITY TO ECONOMIZE IN THE USE OF ELECTRICITY, THE MAJOR CONSUMER OF FUEL OIL.

3. THIS ANNOUNCEMENT FOLLOWED SHORTLY AFTER THE GOVERNMENT EASED RESTRICTIONS ON ADVERTISING AND DISPLAY LIGHTING. EXTENSION OF LIGHTING BY ONE HOUR HAD BECOME POSSIBLE, THE HKG ANNOUNCED FEBRUARY 1, GIVEN RECENT ECONOMY MEASURES AND VOLUNTARY SAVINGS MADE BY THE PUBLIC. THE LEISURE-TOURIST INDUSTRY IS THUS SOMEWHAT MOLLIFIED, BUT MANUFACTURERS REMAIN UNEASY OVER RISING PRICES. REPRESENTATIVES OF 32 INDUSTRIAL BODIES MET FEBRUARY 8, TO CRITICIZE POWER COMPANIES' PLANS TO INCREASE THE PRICE OF ELECTRICITY BY NEARLY 100 PERCENT FOR INDUSTRIAL CONSUMERS (AND BY NEARLY 50 PERCENT FOR DOMESTIC USERS). INDUSTRIAL USERS CHARGE THAT THE POWER COMPANIES ARE THUS ATTEMPTING TO COMPENSATE FOR REDUCED CONSUMPTION, AS WELL AS INCREASED FUEL COSTS. (A SEPARATE REPORT ON THE IMPACT OF THE ENERGY SHORTFALL ON HONG UNCLASSIFIED

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KONG'S ECONOMY AND TRADING POSITION WILL BE SUBMITTED SHORTLY.)

4. THE GOVERNMENT, MEANWHILE, IS EXPECTED TO RELEASE SOON ANOTHER CONSULTANTS' REPORT ON A CONTROVERSIAL OIL REFINERY AND PETROCHEMICAL PLANT (A-299, NOVEMBER 6, 1973). ALTHOUGH SUCH A PROJECT WOULD SERVE TO REASSURE THE COMMUNITY REGARDING PETROLEUM AND PETROCHEMICAL

SUPPLIES, THERE ARE RESERVATIONS OVER POSSIBLE IMPACT
ON THE ENVIRONMENT.

5. HONG KONG'S OIL STOCKS, WHICH DIPPED PERCEPTIBLY
DURING OCTOBER-NOVEMBER, HAVE NOW NEARLY RETURNED TO
LEVELS HELD BEFORE THEN, I.E., TO NEARLY ONE MONTH'S
SUPPLY. IT IS TRUE THAT DEMAND HAS FALLEN DUE TO THE
SWITCH TO DAYLIGHT SAVING TIME, CURTAILMENT OF LIGHTING,
HIGHER FUEL PRICES AND SHORTAGE OF INDUSTRIAL RAW MATER-
IALS. WE ANTICIPATE, HOWEVER, THAT DEMAND WILL SOON
RISE AGAIN AS RAW MATERIALS BECOME AVAILABLE TO MEET
EXPANDED INDUSTRIAL PRODUCTION SCHEDULES AND AS AIR
CONDITIONERS ARE SWITCHED ON. FORTUNATELY, FURTHER
ECONOMIES ARE POSSIBLE; A JAPANESE CONSULTANT HAS JUST
REPORTED THAT UP TO TWENTY PERCENT OF FUEL CONSUMED BY
INDUSTRIAL PLANTS HERE IS WASTED THROUGH LACK OF PROPER
CONTROL. MEANWHILE, THE ADDITIONAL SUPPLY OF CHINESE
OIL IS INDEED "MOST WELCOME".
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, SUPPLIES, LAND GRANTS, PETROLEUM CONCESSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974HONGK01577
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: HONG KONG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740239/aaaabkwy.tel
Line Count: 134
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: HK A-14; HK 12508; HK 12415
Review Action: RELEASED, APPROVED
Review Authority: martinml
Review Comment: n/a
Review Content Flags:
Review Date: 28 FEB 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 FEB 2002 by elbezefj>; APPROVED <27 NOV 2002 by martinml>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PETROLEUM: HONG KONG GOVERNMENT/CHINESE FACILITIES AND MORE OIL FOR HONG KONG
TAGS: ENRG, CH, HK
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005